

Delaware Renewable Energy Taskforce
Wednesday, November 7, 2018
1:00 p.m. - 3:00 p.m.
DNREC State Street Commons Training Room
100 W. Water Street, Suite 6A
Dover, DE 19904

Meeting Minutes

Members and alternates:

Rob Underwood, Acting Chair, DNREC Division of Climate, Coastal, & Energy	Present
Tom Noyes, DNREC Division of Climate, Coastal, & Energy (Alternate)	Present
Glenn Moore, Delmarva Power	Present
Dale Davis, Delaware Solar Energy Coalition	Present
Pam Knotts, Public Service Commission	Present
Raj Barua, Public Service Commission	Present
Lyriss Cullinan, DuPont, Renewable energy research & development industry	Absent
Dave Holleran, Local renewable energy manufacturing industry	Present
Mark Nielsen, Delaware Electric Cooperative (Alternate)	Present (ph)
Scott Lynch, Delaware Municipal Electric Corporation (Alternate)	Present
Drew Slater, Public Advocate	Present
Andrea Maucher, Public Advocate (Alternate)	Present
Steve Hegedus, Environmental advocacy organizations	Present
Senator Harris McDowell, Sustainable Energy Utility	Absent
Tony DePrima, Sustainable Energy Utility (Alternate)	Present

Also present:

Kevin Quilliam, Inclime

David Stevenson, consultant to the Public Advocate

Welcome and Introductions

Rob Underwood opened the meeting at 1:02 p.m.

Review of Agenda

The agenda was reviewed and approved.

Approval of Minutes from October 18, 2018

The Taskforce reviewed the minutes from the October 18, 2018 meeting.

On page 6, paragraph 9, sentence 2, Dale Davis corrected the statement “bill was only reduced by 2/3rds because of demand charges” to say the bill was only reduce by one-third.

Scott Lynch corrected an error on page 2, paragraph 3. The word “his” was corrected to “this” so the edited sentence reads, “Scott Lynch asked that this be noted in the draft strawman.” On page 6, paragraph 8, Mr. Lynch requested the language be corrected to say community solar has a low cost of

entry for City of Newark customers. The paragraph also had to be corrected to replace the term “rate reduction” with “bill credit.” The edited sentence now reads, “Scott Lynch said community solar has a low cost of entry for the customers of the City of Newark, and the project allows customers to have a bill credit and access to green energy.”

Drew Slater moved the minutes be approved. Scott Lynch seconded the motion. The minutes were unanimously approved with the edits requested by Dale Davis and Scott Lynch.

Addition to the agenda

Rob Underwood introduced a memo submitted by Taskforce member Steve Hegedus on the value of solar titled “Reports and discussion of impact of solar and wind on utility customer rates.” Tony DePrima said the memo was very interesting and informative, and requested the topic be added to the agenda of a future meeting. Rob Underwood said the topic would be added to an upcoming Taskforce meeting.

Discussion of next SREC Auction

Rob Underwood opened discussion on the design of the next SREC auction.

Pam Knotts said the next auction could have N-1, N-2, N-3 tiers and a fourth pooled tier of all existing systems, plus the over 2 megawatt (MW) out-of-state systems and leased systems. To Pam Knotts’ proposal, Drew Slater introduced a friendly amendment to keep Tier 5 for in-state utility-scale systems and community solar projects over 2 MW to incentivize in-state solar generation. All out-of-state systems would go into Tier 4. Tom Noyes confirmed with Drew Slater that he was defining utility-scale as 2 MW or greater. Dale Davis said he did not disagree with the proposal, but wanted to note that it just shifts which systems the out-of-state systems compete with. Drew Slater reiterated that he wanted to have a Tier 5 for in-state utility-scale solar to promote Delaware solar development and encourage community solar projects.

Glenn Moore asked which tier included the block of 5,000 SRECs where Delmarva Power holds total discretion to purchase depending on price. Kevin Quilliam said it was Tier 4 in the 2018 auction so if in-state utility-scale or community solar projects are moved to Tier 5, discretion rules should probably be added for Delmarva Power in that tier. Glenn Moore said that is why he raised the question and Drew Slater agreed.

Glenn Moore said that Delmarva Power is likely to procure 20,000 SRECs again in 2019 but the final number has not been announced. Glenn Moore said that assuming Delmarva Power decides to procure 15,000 SRECs at the auction, plus an additional 5,000 discretionary SRECs in 2019, he believed the 15,000 SRECs should include community solar and in-state utility-scale projects and the new Tier 4 should become the discretionary SRECs.

Dale Davis said he was concerned that this new system would be draconian for the existing systems because first-time bidders that bid five cents too high would have to come back and participate in year two against \$9 bids from out-of-state systems. He would rather consider putting existing systems into their natural tiers or make out-of-state systems the discretionary tier and keep in-state utility scale and community solar project part of the guaranteed 15,000 SRECs.

Tony DePrima said he is concerned about combining existing systems with new systems because low bids from existing systems will push new systems out of the auction. He said he thought the issue of

protecting the first time bidders was solved by allowing systems to bid as new systems for two years. Kevin Quilliam said that was a one-time modification implemented for systems that were pushed out by the national leasing company flooding N-1 in the 2017 auction. Drew Slater asked how many bites of the apple a system owner should get. Tony DePrima said he was recommending two years; a system owner could bid as a new system two times. Dale Davis said this would help novice solar owners. Drew Slater said it was his understanding that the rule allowing systems to bid as new projects for two years was a one-time arrangement used in the 2018 auction to address the lease system problem of 2017 and it was not intended as a permanent rule.

Dale Davis reiterated that many new solar owners struggle to determine competitive bid price. Pam Knotts said there is information on price ranges for all of the past auctions available on SRECDelaware.com. Dale Davis said the price range information is not helpful to new bidders because prices for successful bids drop by about \$20 each year and new owners cannot accurately predict a safe price. Drew Slater said someone will always be overbid by some small amount. Dale Davis agreed but said it would be fair to give new system owners two chances.

Dale Davis asked how many repeat bidders have entered the auction. Kevin Quilliam said there were many repeat bidders this year and five or six last year. Dale Davis said that is why the repeat bidders need to be included in their natural tiers because otherwise existing systems will have to compete with out-of-state and leasing systems while also not being guaranteed any SRECs. Pam Knotts asked if Dale Davis is concerned there is too much competition in the proposed existing system tier. Dale Davis said there would be if leasing and out-of-state systems participate in 2019 and if the Taskforce decides not to guarantee any SRECs in that tier.

Tom Noyes asked if people were given two shots at a given tier, the size of the pool would increase, and this would increase competition. Pam Knotts and Drew Slater asked why the Taskforce was considering treating existing systems any differently than they were before the 2018 auction. Tony DePrima said the two-year new system definition is needed because the Taskforce is considering a pooled tier for all existing systems that would compete against out-of-state utility-scale systems and leased systems. From his perspective, this tier could be very difficult to compete in or predict a competitive bid price for if leasing companies or out-of-state systems show up. Dale Davis and Pam Knotts both mentioned they expected leasing companies to bid in future auctions because there are many projects still on the books that have not been entered into an auction yet.

Glenn Moore clarified that the Taskforce is just discussing the definition of new for the purposes of the auction. He said his instinct is to define new systems as those completed since the date of the 2017 auction as it will allow for robustness in Tiers 1-3. N-1, N-2, N-3 would be defined for the 2019 auction as systems completed since the 2017 auction date, regardless of if they previously bid in the 2018 auction. Tier 4 would be lease systems, in-state utility-scale solar, and community solar. Tier 5 would be out-of-state utility-scale systems and existing systems.

David Stevenson said the two year bidding period may encourage higher first bids. Dale Davis said that might happen but you would not win and your second bid would be much lower.

Tony DePrima said the Taskforce is discussing putting the lease systems in Tier 4 but the strawman document does not clarify where lease systems are going. Dale Davis said Tier 1 is for customer-owned systems only. Tony DePrima said he is concerned that the strawman does not say lease systems

specifically, but says not on customer property. Rob Underwood said the language on the strawman document could be clarified regarding the tier where lease systems will compete.

Glenn Moore said he does not think there are enough existing systems to make difference. Dale Davis estimated there are about 65 existing systems that will participate.

Dale Davis reiterated that customers have a hard time predicting a safe bid price even with the available historical data. There was discussion on whether it would be possible to game the system if given two chances to bid. The agreement that the bidder has a risk bidding high in year one anyway because there is no guarantee that the auction will have a two year bidding window for new systems every time. Glenn Moore also said he was not very concerned about allowing system owners two years to compete as new because Delmarva Power has price discretion anyway.

Tony DePrima summarized that the Taskforce is trying to decide how to define a new system and asked to poll the Taskforce members on their preference for having a one year versus two year new system definition. Rob Underwood asked Taskforce members to state their position.

Drew Slater favored the one year definition for new systems.

Dave Holleran asked for clarification on the definition and reason for change. Glenn Moore said it is being debated because the existing systems are being moved into a pooled tier where they potentially have much stiffer competition. Dale Davis said the two year definition would be fairer for customer-owned systems. Drew Slater said we are assuming out-of-state systems are going to bid again.

Steve Hegedus said that as long as Delmarva Power has price discretion as a safety valve and the rules state that the two year definition is not guaranteed in future years, he favors the two year definition.

After some discussion about the use of abstentions on the Taskforce, Raj Barua opted to abstain from stating a position on the one versus two year definition for new systems.

Scott Lynch said that as long as the solar industry is okay with competing against systems they have already installed, he is fine with using the two year definition. Pam Knotts asked if DEMEC was considering entering the auction. Scott Lynch said DEMEC has not participated in the past, but they reserve the right to do so in the future.

Dave Holleran asked to confirm that the Taskforce does not know what impact the existing systems have on N-1, N-2, and N-3 in the past auction. He said he was okay with the two year definition.

Glenn Moore said he would vote for the two year option.

Drew Slater said the Taskforce could discuss Dale Davis' proposal on removing Delmarva Power's price discretion, get rid of tiers, let the market work and have system owners bid on price as noted on the draft strawman proposal. He said if that was done everyone would bid \$99 but it would be a market system. Dale Davis said there is a legislative mandate to create a market for different system sizes. Drew Slater said that without discretion bid prices will go up to \$99. Glenn Moore said price discretion is completely mandatory and Delmarva Power would never agree to forfeit it because the Taskforce has never come up with a solution that is better than price discretion. Additionally, he reminded the

Taskforce that Delmarva Power has only used price discretion in a few instances. The Taskforce reached consensus that removing price discretion is not a viable option.

Glenn Moore asked about Dale Davis' strawman comments regarding SREC allocation between Tiers 1, 2, and 3. Dale Davis said that the allocation concern between the tiers is resolved if the two year new system definition is used. His concern regarding allocation of SRECs between tiers was related to finding a place for the existing systems to have a chance to participate successfully.

Dave Holleran said moving tier allocation around was discussed at the last meeting, specifically the Taskforce has discussed moving some SRECs from the higher tiers into Tiers 1, 2, and 3 since they were oversubscribed. Glenn Moore said the first three tiers have 10,000 SRECs currently and he has not heard an alternate proposal. Dale Davis said that the Taskforce could use Drew Slater's idea to put 5,000 SRECs into a tier for community solar and in-state utility-scale projects and reallocate any unfilled SRECs in this tier down into Tier 1, 2, or 3. Glenn Moore said that was already the rule in the 2018 auction. Dale Davis asked for clarification that the unfilled SRECs would drop to Tier 1, 2, or 3 and not the out-of-state and lease systems. Kevin Quilliam said that is how the 2018 auction functioned.

Dale Davis clarified that if a tier is undersubscribed it will be backfilled using Tiers 1, 2, and 3 first, then Delmarva can fill using the out-of-state systems if price discretion was not used. Glenn Moore said that is how backfilling would be executed under the proposed rules.

Drew Slater said in the 2019 auction Tier 4 will be in-state utility-scale and community solar while Tier 5 will be all out-of-state systems, existing systems, and all lease systems. Glenn Moore said he had leases in Tier 4. Glenn Moore confirmed putting lease systems with out-of-state systems does not seem fair because these are Delaware-sited projects, so he prefers putting lease systems in Tier 4, where they would be part of the guaranteed 15,000 SRECs. Dale Davis and Drew Slater agreed with that proposal.

Pam Knotts asked for confirmation that Tier 5 would include existing and out-of-state systems. Dale Davis said yes.

Dale Davis asked if small community solar projects would have to compete against utility-scale systems in Tier 4, instead of their natural tier, and questioned why that was being done. Tony DePrima said there is an opportunity for small community solar projects to be built and they would be better served in a lower tier. Drew Slater said his proposal regarding community solar came from the draft legislation that named community solar projects up to 5 megawatts. Large community solar projects of that size should compete against utility-scale projects. Tony DePrima suggested projects should be placed in tiers based on their size. Scott Lynch said the Taskforce should keep in mind that Newark has a community solar project. He said the decision on how to handle community solar depends on the definition that is used for community solar. Dale Davis said the Newark project is not a community solar project under the current Delaware community solar law. Scott Lynch said there are a lot of ways to define community solar and how we define it for the purposes of the auction needs to be tightened. Tony DePrima said that for the purposes of labelling the auction tiers, the term community solar does not need to be used, a 750 kW community solar project should just go into Tier 3. Community solar projects should be entered into a tier based on their system size. Glenn Moore said he is okay with that proposal. No one objected.

Tom Noyes summarized the status of the current tiers. The Taskforce has selected five tiers, eliminated the tier for existing systems, and settled on a definition for new systems. Tier names are N-1, N-2, N-3,

and Tier 4 and Tier 5. Tier 4 includes in-state lease systems and in-state systems above 2 MW. Tier 5 is out-of-state systems and existing systems.

Drew Slater said his reason for proposing placing community solar in Tier 4 was that Delaware has been accused of not supporting community solar. Tony DePrima said that David Murray of MDV-SEIA would be contacting all the members of the Taskforce to do one-on-one meetings to gather opinions on community solar and then the SEU will host a meeting on community solar policy. He said if the Taskforce really wants to support community solar, it could consider having a community solar bonus. Glenn Moore said the Taskforce could not authorize a bonus because legislation would be needed. Tony DePrima said that legislation creating a bonus is one way to incent community solar development.

Dale Davis summarized the three main roadblocks to community solar projects in Delaware: 1) who conducts the billing of individual community members; 2) requirement that the community solar subscribers are 100 percent identified down to the meter number and only allowing developer to build to 110% of that demand; and 3) how credits are treated based on where the community members are located versus the generation station. If they are on different feeder circuits, the value is a lot less.

Drew Slater said the major sticking point is going to be the cost of billing and who pays for it (Delmarva Power ratepayers or the community solar developers and/or customers), because he expects it would be very expensive for Delmarva Power to adjust its billing system to allow for billing community solar subscribers. Dale Davis said this billing is done by other utilities in states with successful community solar projects, including other utilities owned by Delmarva Power's parent company.

Tony DePrima suggested tabling community solar in the 2019 auction design and picking up the topic once legislation is created that makes it feasible in Delaware. Rob Underwood agreed with this proposal.

Steve Hegedus asked for clarification that if a community solar project entered the auction in 2019, it would be considered in the tier that matches its system size. Raj Barua said yes, as the proposed auction rules are currently written, it would enter the tier that matches their attributes.

Dale Davis presented a clarification question regarding billing arrangements for third-party suppliers that Delmarva Power's billing system currently manages. He asked if the community solar developer could pay for the cost of Delmarva Power to bill the community solar customers. Tony DePrima asked who originally paid for the cost of establishing the billing system for third-party suppliers. Glenn Moore said he was not sure, but he did not think the third party suppliers are paying for the billing or software changes.

Returning to the topic of the auction, Tony DePrima requested that the strawman be edited to include reference to the SEU's option to sell Delmarva Power its banked SRECs to fill undersubscribed tiers using the same rules developed in the 2018 auction. Dale Davis and Glenn Moore agreed and said they saw no reason to remove that option from the auction. Tom Noyes said it was not left off the strawman intentionally and would be added back to the draft.

Drew Slater said the Taskforce discussed DNREC offering an SREC pre-buy program using the Green Energy Fund (GEF) at the last meeting, this program could address the industry problem Dale Davis identified related to only having a once per year auction. Dale Davis said the Taskforce determined at the last meeting that there is not enough time to design a pre-buy program and also design and launch

the spring 2019 auction. David Stevenson said that the Taskforce said the same thing last year and the pre-buy program was not designed. Dale Davis suggested adding design of a GEF-funded pre-buy program to a future Taskforce agenda. Rob Underwood said the use of the GEF for a pre-buy program is outside the scope of the Taskforce but DNREC can set up meetings with the Advocate and PSC Staff to discuss the topic. Drew Slater reiterated that this program proposal is a way to alleviate the problem of only having a once per year auction. Tony DePrima reminded the Taskforce that DNREC does not have SREC banking authority. Scott Lynch reminded the group that only Delmarva Power customers would be eligible to participate in a GEF-funded pre-buy program.

Raj Barua asked if a side meeting should be organized to discuss a SREC pre-buy program using the Green Energy Fund. Rob Underwood said that he would organize the meeting since it involves funds managed by DNREC, and then he will update the Taskforce after the meeting. Dale Davis asked that the discussion not be limited to funds from the Green Energy Fund.

Rob Underwood asked if there were any other outstanding issues related to the 2019 auction design that needed to be discussed prior to finalizing the strawman document.

Drew Slater brought up the spot market mentioned on the strawman proposal. Dale Davis said that it is not part of the auction design. Rob Underwood opened the discussion to the 2019 spot market. Dale Davis said that from an industry perspective, he is thrilled that there will be a Delaware-only spot auction but he is concerned about the preset maximum \$9.00 SREC spot price because it is not market-based and uses out-of-state system SREC prices to set the price. He said Delmarva Power already has price discretion regarding purchasing an SREC on the spot market.

Glenn Moore said the final maximum price would end up being \$10.00 to \$10.50 including the commission price. He said it is a market-based price, set based on the price Delmarva Power has paid on the spot market over the last 6-12 months. Glenn Moore explained that if Delmarva Power purchases spot auction SRECs at \$12.00 they will have a hard time explaining to the Commission or Advocate's office why they spent \$12.00 in the spot auction when \$7.00 SRECs are available on the spot market.

Dale Davis said this is holding down the price in the annual auction since 20,000 SRECs are in the auction and 50-60,000 SRECs are being purchased outside the auction for \$9.00 or less. Once system owners reach the spot market they have no other option than accepting \$7.00 or \$9.00 price set by Delmarva Power because otherwise their SRECs will expire. He said this leads to them being pressured to bid very low in the auction to avoid having to go to the spot market. He said he is concerned about the precedent being set that the value of an SREC is \$9.00, which will lead to people questioning why Delmarva Power is paying even \$20.00 for an SREC in the annual procurement auction.

Glenn Moore said the benefit of the spot market is that it guarantees additional SRECs for Delaware systems.

Steve Hegedus asked for confirmation that Delaware is the only state that allows out-of-state systems to participate in a spot auction or spot market. Pam Knotts said Maryland, DC, and New Jersey have closed borders. Glenn Moore and Kevin Quilliam said most states are closing their borders.

Pam Knotts asked about the timing of the spot auction. Kevin Quilliam said the auction was likely to occur in mid-December.

Tony DePrima said he suggested to Tom Noyes that Jeremy Firestone's offshore wind presentation from a recent conference should be added to a future Taskforce agenda. [Correction: it was Willett Kempton's presentation.] Drew Slater said there was already a working group formed to look at offshore wind so discussing it in the Taskforce would be redundant. Tony DePrima said he was not part of the offshore wind working group and it could be a learning opportunity, plus the presentation did include new pricing. Tom Noyes said that the pricing has significantly changed since the working group met. Drew Slater said wind energy is still expensive. Raj Barua said there would be no harm in having an informational presentation on the topic, the Taskforce would not have any obligation to take further action. Glenn Moore said he did not have an issue with a presentation but the group should be careful asking for information from a specific person or organization without gathering multiple perspectives on an issue. Drew Slater agreed with the need to get information from more than one source.

Public Comment

Kendrick Tice representing Sunrise Solar stated that the Delaware solar market has the opportunity to grow and Delaware has a chance to be an extreme leader in solar. Delaware should keep moving forward with solar. He stated that he appreciated being able to participate in the Taskforce meetings.

Final Comments from Taskforce members

Glenn Moore requested that Tier 4 be made part of the guaranteed 15,000 SRECs.

Final Comments from Taskforce Chair

Rob Underwood adjourned the meeting at 2:40 p.m.